

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Carrollton Township	County SAGINAW
Audit Date 3/31/04	Opinion Date 7/21/04	Date Accountant Report Submitted to State 9/22/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

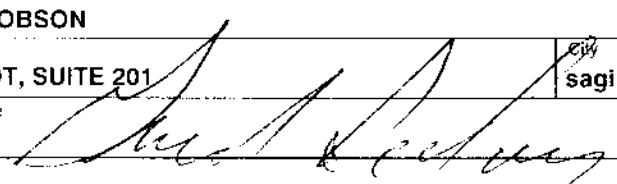
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following: "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) REHMANN ROBSON			
Street Address 5800 GRATIOT, SUITE 201		City saginaw	State mi
Accountant Signature 		ZIP 48605	Date 9/16/04

Carrollton Township
Saginaw County, Michigan

Financial Statements

For the Year Ended March 31, 2004

CARROLLTON TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

July 21, 2004

To the Township Board
Carrollton Township
Saginaw, Michigan

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ***Carrollton Township***, as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ***Carrollton Township***, as of March 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General, Fire, Police, and Garbage/Rubbish Governmental Funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2004, on our consideration of **Carrollton Township's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Carrollton Township's** basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

Management's Discussion and Analysis

As management of *Carrollton Township, Michigan*, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2004. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$9,681,121 (*net assets*). Of this amount, \$4,251,019 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$449,060.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$3,151,308, an increase of \$184,974 in comparison with the prior year. More than three quarters of this total amount, or \$2,735,582, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$956,839, or 123 percent of total general fund expenditures.
- The Township's total debt decreased by \$435,152 during the current fiscal year as a result of annual debt service requirements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, and parks and recreation. The business-type activities of the Township include sewer and water operations.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, fire, police, and garbage/rubbish funds, each of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general, special revenue and debt service funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-23 of this report.

Proprietary funds. The Township maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sewer and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, both of which are considered to be major funds of the Township.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statements can be found on page 27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-47 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the accompanying notes. Combining and individual fund statements and schedules can be found on pages 48-61 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Carrollton Township, assets exceeded liabilities by \$9,681,121 at the close of the most recent fiscal year.

One of the largest portions of the Township's net assets (42 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Carrollton Township's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2004	2003	2004	2003	2004
Current and other assets	\$ 3,245,332	\$ 3,415,392	\$ 2,254,915	\$ 2,498,734	\$ 5,500,247	\$ 5,914,126
Capital assets	<u>631,579</u>	<u>549,250</u>	<u>10,094,444</u>	<u>9,781,333</u>	<u>10,726,023</u>	<u>10,330,583</u>
Total assets	<u>3,876,911</u>	<u>3,964,642</u>	<u>12,349,359</u>	<u>12,283,183</u>	<u>16,226,270</u>	<u>16,244,709</u>
Long-term liabilities						
outstanding	121,723	65,127	6,547,399	6,168,843	6,669,122	6,233,970
Other liabilities	<u>169,607</u>	<u>170,284</u>	<u>144,222</u>	<u>159,334</u>	<u>313,829</u>	<u>329,618</u>
Total liabilities	<u>291,330</u>	<u>235,411</u>	<u>6,691,621</u>	<u>6,328,177</u>	<u>6,982,951</u>	<u>6,563,588</u>
Net assets:						
Invested in capital						
assets, net of						
related debt	621,671	545,004	3,547,045	3,612,490	4,168,716	4,157,494
Restricted	100,696	46,125	1,341,345	1,226,483	1,442,041	1,272,608
Unrestricted	<u>2,863,214</u>	<u>3,138,102</u>	<u>769,348</u>	<u>1,112,917</u>	<u>3,632,562</u>	<u>4,251,019</u>
Total net assets	<u>\$ 3,585,581</u>	<u>\$ 3,729,231</u>	<u>\$ 5,657,738</u>	<u>\$ 5,955,890</u>	<u>\$ 9,243,319</u>	<u>\$ 9,681,121</u>

An additional portion of the Township's net assets (16 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (44 percent or \$4,251,019) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Township's restricted net assets decreased by \$169,433 during the current fiscal year. All of this decrease resulted from the purchase or construction of capital improvements during the current fiscal year.

The Township's net assets increased by \$449,060 during the current fiscal year. This growth largely reflects the degree to which ongoing revenues exceeded ongoing expenses.

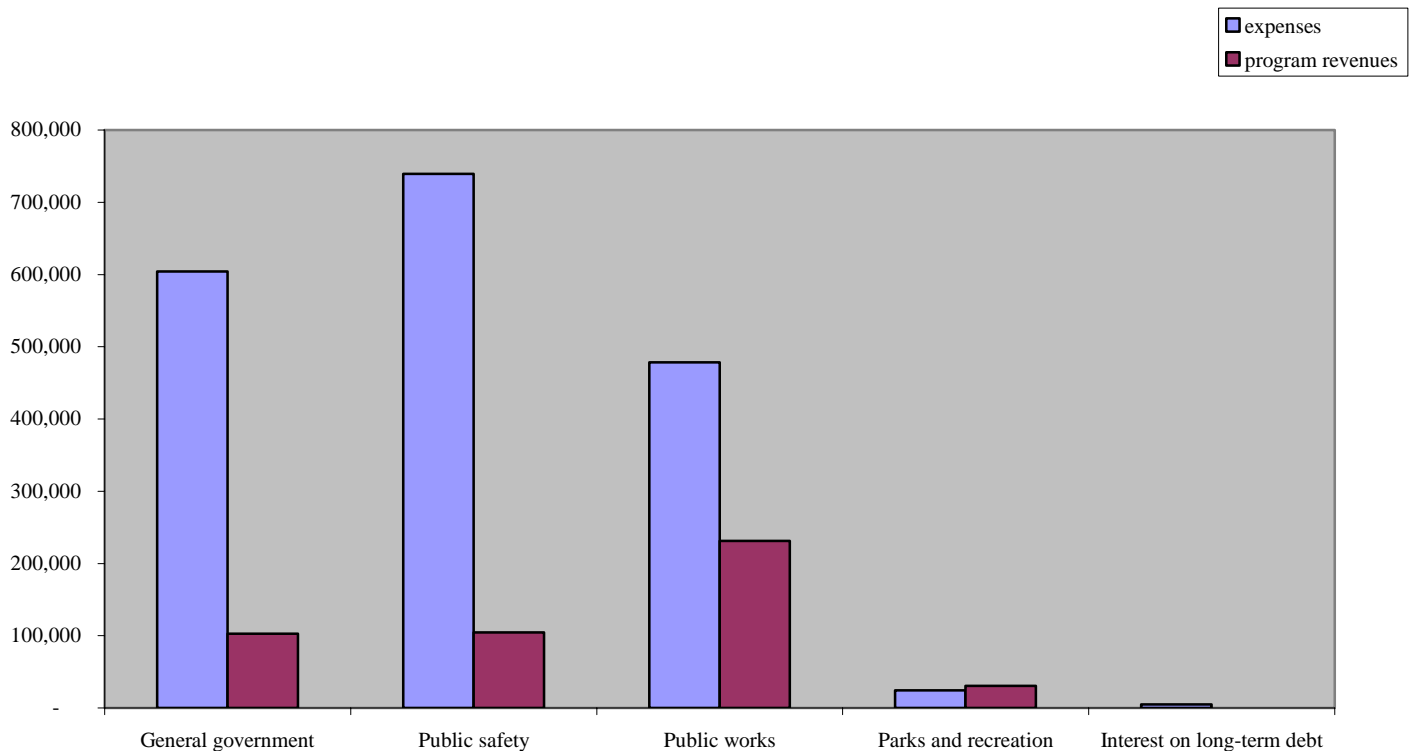
Carrollton Township's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Revenue:						
Program revenue:						
Charges for services	\$ 418,492	\$ 409,654	\$ 1,427,702	\$ 1,509,296	\$ 1,846,194	\$ 1,918,951
Operating grants and contributions	68,957	57,496	-	-	68,957	57,496
Capital grants and contributions	2,020	1,754	3,121	2,659	5,141	4,413
General revenue:						
Property taxes	774,516	798,467	372,420	384,933	1,146,936	1,183,400
Grants and contrib. not restricted to specific programs	682,576	690,061	-	-	682,576	690,061
Other	<u>62,448</u>	<u>48,658</u>	<u>27,197</u>	<u>25,092</u>	<u>89,645</u>	<u>73,750</u>
Total revenue	<u>2,009,009</u>	<u>2,006,090</u>	<u>1,830,440</u>	<u>1,921,980</u>	<u>3,839,449</u>	<u>3,928,070</u>
Expenses:						
General government	748,870	604,402	-	-	748,870	604,402
Public safety	750,255	739,160	-	-	750,255	739,160
Public works	701,944	478,608	-	-	701,944	478,608
Parks and recreation	26,847	24,236	-	-	26,847	24,236
Interest on long-term debt	7,001	4,776	-	-	7,001	4,776
Sewer	-	-	715,906	731,795	715,906	731,795
Water	-	-	<u>880,713</u>	<u>896,033</u>	<u>880,713</u>	<u>896,033</u>
Total liabilities	<u>2,234,917</u>	<u>1,885,182</u>	<u>1,519,619</u>	<u>1,627,828</u>	<u>3,831,536</u>	<u>3,479,010</u>
Increase (decrease) in net assets	(225,908)	151,789	233,821	297,271	7,913	449,060
Net assets – beginning of year, as restated	<u>3,811,489</u>	<u>3,574,323</u>	<u>5,423,917</u>	<u>5,657,738</u>	<u>9,233,406</u>	<u>9,232,061</u>
Total net assets	<u>\$ 3,585,581</u>	<u>\$ 3,729,231</u>	<u>\$ 5,657,738</u>	<u>\$ 5,951,890</u>	<u>\$ 9,243,319</u>	<u>\$ 9,681,121</u>

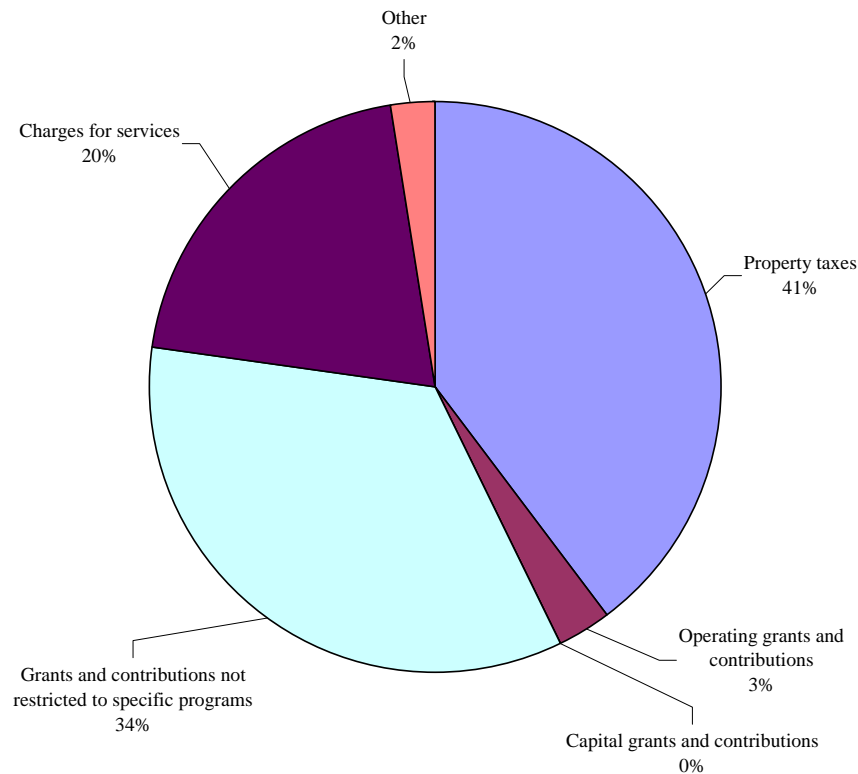
Governmental activities. Governmental activities increased the Township's net assets by \$154,908, which combined with the growth in the business-type activities resulted in growth in the net assets of the Township. Key elements of this increase are as follows:

- Property taxes increased by approximately \$23,951 (3.09 percent) during the year. Most of this increase is the product of increased taxable values and residential growth.
- The Township expenses were under anticipated revenues as a result of the Township's decreased participation in road construction projects with the Saginaw County Road Commission (\$242,593), a significant decrease in the Township's Drain-at-Large burden (\$17,613), postponement of installation of a Carla Drive traffic light (\$36,800), postponement of Municipal Building renovations (\$41,490), and postponement of computer systems upgrades (\$40,324). These decreases in planned expenditures total \$378,820 (31.09%). The exceptions to this are significant increases in expenses that reflect current inflation and increased demand for services. Also, increased personnel expenses for General Government Department of Public Works resulted in an increase in these expenses of \$7,727 (9.08%).

Expenses and Program Revenues - Governmental Activities



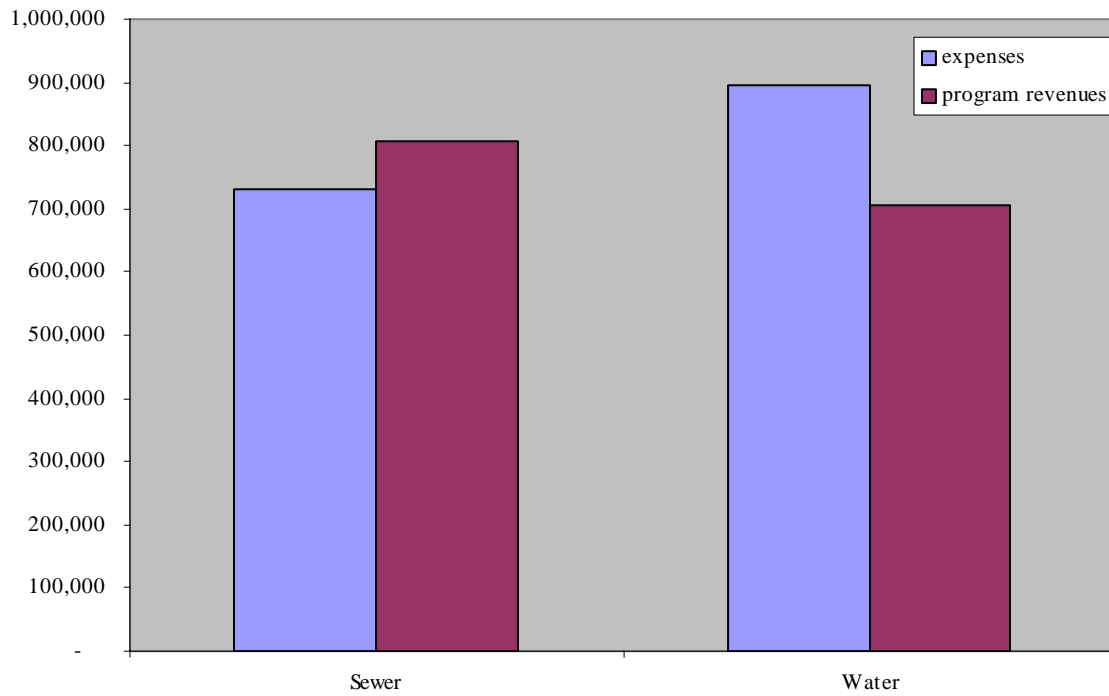
Revenues by Source - Governmental Activities



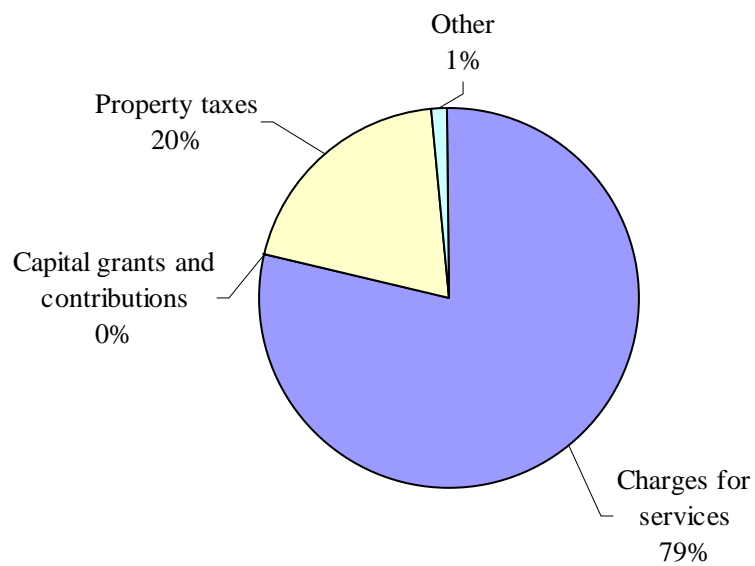
Business-type activities. Business-type activities increased the Township's net assets by \$294,152, which combined with the increase in the governmental activities resulted in growth in the net assets of the Township. Key elements of this increase are as follows:

- Expenses remained constant while charges for services increased \$91,450 (5.72 percent) due to rate increases.
- Property taxes increased by \$12,513 (3.36 percent) during the year. Most of this increase is the product of increased taxable values and residential growth.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$3,151,308, an increase of \$14,974 in comparison with the prior year. Approximately three-quarters of this total amount (\$2.73 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$47,159), 2) to pay for specific capital projects (\$175,519), 3) for budget stabilization (\$53,964), 4) for prepaid items (\$92,959), or 5) a variety of other restricted purposes (\$46,125).

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$956,839, while total fund balance was \$1,273,814. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 123 percent of total general fund expenditures.

The fund balance of the Township's general fund increased by \$215,254 during the current fiscal year. This is primarily attributable to decrease in expenses related to road construction, drain-at-large burdens, and capital improvements as previously discussed above relative to government-wide governmental activities.

The fire fund has a total fund balance of \$743,010, which increased by \$83,698 during the year. Original budget estimates anticipated a small increase in fund balance because most revenues were to be expended; however, this did not materialize due to reduced need for repairs and maintenance and capital asset replacement.

The police fund had an increase in fund balance for the current year of \$75,054, to an ending total of \$812,859. This increase was the result of growth in property tax revenue and the lack of capital asset purchases, and a decrease in personnel expense due to employee turnover.

The garbage/rubbish fund has a total fund balance of \$260,671, which decreased by \$45,584 during the year. The decrease is attributable to lower special assessments due to reduced contractual service costs as a result of lower negotiated fees and reduced haul costs.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$578,238 and \$534,679, respectively. The sewer and water funds had increases in net assets for the year of \$86,763 and \$207,389, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor.

During the year, general fund revenues were more than the budgetary estimates and expenditures were less than budgetary estimates, resulting in an actual increase in fund balance that exceeded the final amended budget amount by \$557,965.

Budget to actual comparisons for the Township's special revenue funds were generally favorable as well, although to varying degrees.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business type activities as of March 31, 2004, amounted to \$9,781,333 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total decrease in the Township's investment in capital assets for the current fiscal year was 3.69 percent (a 13.04 percent decrease for governmental activities and a 3.1 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Various equipment and vehicles have been purchased in the general fund (\$16,927), fire fund (\$7,392), police fund (\$18,957), and sewer and water funds (\$75,908).

Carrollton Township's Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Land	\$ 59,035	\$ 59,035	\$ 1,000	\$ 1,000	\$ 60,035	\$ 60,035
Buildings and systems	195,040	184,531	9,975,305	9,617,072	10,170,345	9,801,603
Vehicles	171,276	159,719	83,630	79,250	254,906	238,969
Equipment	206,228	145,965	34,509	69,041	240,737	215,006
Construction in progress	-	-	-	14,970	-	14,970
Total net assets	<u>\$ 631,579</u>	<u>\$ 549,250</u>	<u>\$ 10,094,444</u>	<u>\$ 9,781,333</u>	<u>\$ 10,726,023</u>	<u>\$ 10,330,583</u>

Additional information on the Township's capital assets can be found in note 5 on pages 38-40 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total debt outstanding of \$6,233,970. Of this amount, \$1,075,390 comprises debt backed by the full faith and credit of the government. The remainder of the Township's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Carrollton Township's Outstanding Debt General Obligation and Revenue Bonds

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
General obligation bonds and installment contracts	\$ 121,723	\$ 65,127	\$ -	\$ -	\$ 121,723	\$ 65,127
Revenue bonds and installment contracts	-	-	6,547,399	6,168,843	6,547,399	6,168,843
Total net assets	<u>\$ 121,723</u>	<u>\$ 65,127</u>	<u>\$ 6,547,399</u>	<u>\$ 6,168,843</u>	<u>\$ 6,669,122</u>	<u>\$ 6,223,970</u>

The Township's total debt decreased by \$435,152 (6.52 percent) during the current fiscal year, with debt service being the only changes during the current fiscal year.

The Township issues debt through the Saginaw County Public Works Commission and uses their Standard and Poor's rating. The County's rating ranges from A to AAA. The AAA rating is given for bond issues that are backed with millage levies.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Township is \$8,154,875, which is significantly in excess of the Township's outstanding general obligation debt.

Additional information on the Township's long-term debt can be found in note 8 on pages 41-45 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Township's budget for the 2004-05 fiscal year:

- The February 2004 unemployment rate for the Saginaw-Bay City-Midland metropolitan area (the Township is in the Saginaw area) was 8.5 percent, which is an increase from a rate of 8.1 percent a year ago. This was higher than the state's February 2004 average unemployment rate of 6.6 percent and the national average rate of 5.6 percent.
- The Township is comprised principally of residential areas. There is a stable business base that includes a major industrial operation.

Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, unreserved fund balance in the general fund increased to \$955,279. The Township has appropriated approximately \$527,291 of this amount for spending in the 2004-05 fiscal year budget. Such appropriations are intended to finance various capital acquisitions and improvements.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Treasurer's office, 1645 Mapleridge Road, Saginaw, Michigan 48604.

BASIC FINANCIAL STATEMENTS

CARROLLTON TOWNSHIP**Statement of Net Assets****March 31, 2004**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 504,749	\$ 109,033	\$ 613,782
Investments	2,349,456	522,822	2,872,278
Receivables	374,944	457,832	832,776
Prepaid items and other assets	92,959	128,013	220,972
Inventory	-	54,551	54,551
Restricted cash and cash equivalents	46,125	35,229	81,354
Restricted investments	47,159	1,191,254	1,238,413
Nondepreciable capital assets	59,035	15,970	75,005
Depreciable capital assets, net	490,215	9,765,363	10,255,578
Total assets	3,964,642	12,280,067	16,244,709
Liabilities			
Accounts payable and accrued expenses	170,284	159,334	329,618
Noncurrent liabilities:			
Due within one year	9,117	335,080	344,197
Due in more than one year	56,010	5,833,763	5,889,773
Total liabilities	235,411	6,328,177	6,563,588
Net Assets			
Invested in capital assets, net of related debt	545,004	3,612,490	4,157,494
Restricted for:			
Debt service	-	80,410	80,410
Capital projects	-	1,146,073	1,146,073
Other purposes	46,125	-	46,125
Unrestricted	3,138,102	1,112,917	4,251,019
Total net assets	\$ 3,729,231	\$ 5,951,890	\$ 9,681,121

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Activities
For the year ended March 31, 2004

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government:					
Code enforcement	\$ 48,178	\$ -	\$ -	\$ -	\$ (48,178)
Other general government	556,224	102,616	-	-	(453,608)
Public safety:					
Fire protection	127,075	37	-	-	(127,038)
Police protection	573,507	34,682	54,824	-	(484,001)
Building inspections	38,578	14,923	-	-	(23,655)
Public works:					
Highways and streets	72,170	-	-	-	(72,170)
Garbage and rubbish	273,254	225,536	-	-	(47,718)
Other public works	133,184	4,058	-	1,754	(127,372)
Parks and recreation:					
Parks	3,891	-	-	-	(3,891)
Recreation	20,345	27,802	2,672	-	10,129
Interest on long-term debt	4,776	-	-	-	(4,776)
Total governmental activities	<u>1,851,182</u>	<u>409,654</u>	<u>57,496</u>	<u>1,754</u>	<u>(1,382,278)</u>
Business-type activities:					
Sewer	731,795	805,854	-	1,140	75,199
Water	896,033	703,442	-	1,519	(191,072)
Total business-type activities	<u>1,627,828</u>	<u>1,509,296</u>	<u>-</u>	<u>2,659</u>	<u>(115,873)</u>
Total primary government	<u>\$ 3,479,010</u>	<u>\$ 1,918,950</u>	<u>\$ 57,496</u>	<u>\$ 4,413</u>	<u>\$ (1,498,151)</u>

continued...

	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (1,382,278)	\$ (115,873)	\$ (1,498,151)
General revenues:			
Property taxes:			
Property taxes, levied for general purposes	76,268	-	76,268
Property taxes, levied for fire protection	180,906	-	180,906
Property taxes, levied for police protection	540,635	-	540,635
Property taxes, levied for the construction of water improvements	-	384,933	384,933
Payment in lieu of property taxes	658	-	658
Grants and contributions not restricted to specific programs	690,061	-	690,061
Unrestricted investment earnings	27,592	11,569	39,161
Miscellaneous	20,991	13,523	34,514
Gain on disposal of capital assets	75	-	75
Total general revenues	1,537,186	410,025	1,947,211
Change in net assets	154,908	294,152	449,060
Net assets, beginning of year - as restated	3,574,323	5,657,738	9,232,061
Net assets, end of year	\$ 3,729,231	\$ 5,951,890	\$ 9,681,121

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP**Balance Sheet
Governmental Funds
March 31, 2004**

	General	Fire	Police
<u>ASSETS</u>			
Cash and cash equivalents	\$ 292,217	\$ 17,009	\$ 79,088
Investments	885,939	696,254	571,839
Taxes receivable - delinquent	31,134	17,843	53,323
Special assessments receivable	24,504	-	-
Accrued interest receivable	2,284	23	124
Accounts receivable	13,580	-	2,404
Due from other funds	-	-	8,523
Due from other governmental units	77,535	-	60,081
Prepaid expenditures/expenses	41,166	13,176	37,784
HUD loans/grants receivable	69,296	-	-
Restricted assets - cash and cash equivalents	-	-	19,080
Restricted assets - investments	47,159	-	-
<u>TOTAL ASSETS</u>	\$ 1,484,814	\$ 744,305	\$ 832,246
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accounts payable	\$ 17,235	\$ 1,295	\$ 4,579
Accrued payroll	9,487	-	14,808
Accrued liabilities	43,688	-	-
Due to other funds	22,410	-	-
Due to other governmental units	24,380	-	-
Deferred revenue	93,800	-	-
TOTAL LIABILITIES	211,000	1,295	19,387
FUND EQUITY			
Fund balances:			
Reserved for debt service	47,159	-	-
Reserved for capital improvements	175,519	-	-
Reserved for budget stabilization	53,131	-	-
Reserved for grants and donations	-	-	19,080
Reserved for deposits held by others	-	-	-
Reserved for prepaid items	41,166	13,176	37,784
Unreserved, reported in:			
General Fund	429,548	-	-
Special Revenue Funds	-	615,244	183,843
Designated for subsequent years' expenditures:			
General Fund	527,291	-	-
Special Revenue Funds	-	114,590	572,152
TOTAL FUND EQUITY	1,273,814	743,010	812,859
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	\$ 1,484,814	\$ 744,305	\$ 832,246

The accompanying notes are an integral part of these financial statements.

Garbage/ Rubbish	Other Governmental Funds	Total Governmental Funds
\$ 88,661	\$ 27,774	\$ 504,749
176,220	19,204	2,349,456
22,679	-	124,979
-	-	24,504
12	2	2,445
-	120	16,104
-	13,887	22,410
-	-	137,616
-	833	92,959
-	-	69,296
27,045	-	46,125
-	-	47,159
<hr/>		
\$ 314,617	\$ 61,820	\$ 3,437,802
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\$ 53,946	\$ 393	\$ 77,448
-	473	24,768
-	-	43,688
-	-	22,410
-	-	24,380
-	-	93,800
<hr/>		
53,946	866	286,494
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-	-	47,159
-	-	175,519
-	833	53,964
-	-	19,080
27,045	-	27,045
-	833	92,959
-	-	429,548
-	31,718	830,805
-	-	527,291
233,626	27,570	947,938
<hr/>		
260,671	60,954	3,151,308
<hr/>		
\$ 314,617	\$ 61,820	\$ 3,437,802
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CARROLLTON TOWNSHIP
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
March 31, 2004

Fund balances - total governmental funds	\$ 3,151,308
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Certain assets, such as special assessments receivable, are not available in the current period and therefore are reported as deferred revenue in the funds.

Add - special assessments receivable deferred	24,504
Add - HUD loans receivable deferred	69,296

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	2,398,411
Deduct - accumulated depreciation	(1,849,161)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - installment contract payable	(4,246)
Deduct - bonds payable	(60,881)

Net assets of governmental activities	<u><u>\$ 3,729,231</u></u>
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The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2004

	General	Fire	Police
REVENUES			
Taxes and special assessments	\$ 125,499	\$ 180,906	\$ 540,635
Licenses and permits	58,244	-	-
Federal grants	-	-	49,231
State grants	690,061	-	4,037
Donations	2,125	-	-
Charges for services	7,362	-	-
Fines and forfeits	-	37	11,914
Interest on investments	11,617	5,302	7,411
Refunds and reimbursements	8,127	-	2,094
Other	2,776	1,850	9,629
TOTAL REVENUES	905,811	188,095	624,951
EXPENDITURES			
Current:			
General government	555,852	-	-
Public safety	-	97,006	544,588
Public works	112,783	-	-
Highways and streets	72,170	-	-
Garbage and rubbish	-	-	-
Parks and recreation	6,169	-	-
Other	432	-	-
Capital outlay	16,927	7,391	18,957
Debt service:			
Principal	8,096	-	-
Interest and charges	3,617	-	-
TOTAL EXPENDITURES	776,046	104,397	563,545
REVENUES OVER (UNDER) EXPENDITURES	129,765	83,698	61,406
OTHER FINANCING SOURCES (USES)			
Transfers in	124,490	-	13,648
Transfers (out)	(39,001)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	85,489	-	13,648
NET CHANGE IN FUND BALANCES	215,254	83,698	75,054
FUND BALANCES, BEGINNING OF YEAR - AS RESTATED	1,058,560	659,312	737,805
FUND BALANCES, END OF YEAR	\$ 1,273,814	\$ 743,010	\$ 812,859

The accompanying notes are an integral part of these financial statements.

Garbage/ Rubbish	Other Governmental Funds	Total Governmental Funds
\$ 219,130	\$ -	\$ 1,066,170
-	14,923	73,167
-	-	49,231
-	-	694,098
-	-	2,125
-	27,802	35,164
-	19,953	31,904
2,086	307	26,723
-	-	10,221
6,454	912	21,621
227,670	63,897	2,010,424
-	-	555,852
-	40,551	682,145
-	-	112,783
-	-	72,170
273,254	-	273,254
-	17,998	24,167
-	-	432
-	-	43,275
-	48,500	56,596
-	1,159	4,776
273,254	108,208	1,825,450
(45,584)	(44,311)	184,974
-	25,353	163,491
-	(124,490)	(163,491)
-	(99,137)	-
(45,584)	(143,448)	184,974
306,255	204,402	2,966,334
\$ 260,671	\$ 60,954	\$ 3,151,308

CARROLLTON TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditure:
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended March 31, 2004

Net change in fund balances - total governmental funds	\$	184,974
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay		43,275
Deduct - depreciation expense		(125,604)

Revenues in the statement of activities that do not provide current financial resources, such as collections on special assessments, are not reported as revenues in the funds.		(4,333)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities		56,596
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Change in net assets of governmental activities	\$	154,908
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The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
General Fund
For the year ended March 31, 2004

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 117,551	\$ 120,971	\$ 125,499	\$ 4,528
Licenses and permits	54,550	56,326	58,244	1,918
State grants	668,661	674,307	690,061	15,754
Donations	1,930	1,930	2,125	195
Charges for services	4,750	4,371	7,362	2,991
Interest on investments	6,500	8,105	11,617	3,512
Refunds and reimbursements	8,250	7,685	8,127	442
Other	600	2,222	2,776	554
TOTAL REVENUES	862,792	875,917	905,811	29,894
EXPENDITURES				
General government	572,421	619,172	555,852	(63,320)
Public works	114,251	103,998	112,783	8,785
Highways and streets	374,514	370,614	72,170	(298,444)
Parks	41,548	6,596	6,169	(427)
Other	95,838	-	432	432
Capital outlay	57,300	62,376	16,927	(45,449)
Debt service - principal	8,098	10,260	8,096	(2,164)
Debt service - interest and charges	3,617	3,746	3,617	(129)
TOTAL EXPENDITURES	1,267,587	1,176,762	776,046	(400,716)
REVENUES OVER (UNDER) EXPENDITURES	(404,795)	(300,845)	129,765	430,610
OTHER FINANCING SOURCES (USES)				
Transfers in	692	-	124,490	124,490
Transfers (out)	(30,346)	(41,866)	(39,001)	2,865
TOTAL OTHER FINANCING SOURCES (USES)	(29,654)	(41,866)	85,489	127,355
NET CHANGE IN FUND BALANCE	(434,449)	(342,711)	215,254	557,965
FUND BALANCES, BEGINNING OF YEAR	1,058,560	1,058,560	1,058,560	-
FUND BALANCES, END OF YEAR	\$ 624,111	\$ 715,849	\$ 1,273,814	\$ 557,965

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Fire Fund
For the year ended March 31, 2004

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
REVENUES				
Current property taxes	\$ 179,717	\$ 179,717	\$ 180,744	\$ 1,027
Industrial facilities tax	162	162	162	-
Fines and forfeits	10	10	37	27
Interest on investments	5,850	5,850	5,302	(548)
Other	-	-	1,850	1,850
TOTAL REVENUES	185,739	185,739	188,095	2,356
EXPENDITURES				
Public Safety:				
Salaries and wages	37,065	37,065	33,899	(3,166)
Employee benefits	6,645	6,645	4,981	(1,664)
Office supplies	1,200	1,200	698	(502)
Operating supplies	13,150	13,150	8,594	(4,556)
Uniforms	1,000	1,000	661	(339)
Audit	663	663	690	27
Legal services	600	600	-	(600)
Contracted services	120	120	97	(23)
Memberships and dues	1,350	1,350	780	(570)
Medical	1,800	1,800	705	(1,095)
Telephone	3,750	3,750	2,980	(770)
Travel	3,000	3,000	999	(2,001)
Hydrant rental	8,000	8,000	6,000	(2,000)
Gas and oil	600	600	24	(576)
Printing and publishing	500	500	263	(237)
Insurance	10,120	10,120	11,714	1,594
Water and sewer	1,589	1,589	1,676	87
Gas and electric	5,760	5,760	4,126	(1,634)
Computer services	1,084	1,084	2,453	1,369
Repairs and Maintenance	30,500	30,500	11,657	(18,843)
Education and training	3,700	3,700	965	(2,735)
Other	4,000	4,000	3,044	(956)
Capital outlay	327,000	7,000	7,391	391
TOTAL EXPENDITURES	463,196	143,196	104,397	(38,799)
NET CHANGE IN FUND BALANCE	(277,457)	42,543	83,698	41,155
FUND BALANCE, BEGINNING OF YEAR	659,312	659,312	659,312	-
FUND BALANCE, END OF YEAR	\$ 381,855	\$ 701,855	\$ 743,010	\$ 41,155

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Police Fund
For the year ended March 31, 2004

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
REVENUES				
Property taxes	\$ 537,067	\$ 537,067	\$ 540,152	\$ 3,085
Industrial facilities tax	483	483	483	-
Federal grants	55,975	55,975	49,231	(6,744)
State grants	3,890	3,890	4,037	147
Fines and forfeits	9,500	9,500	11,914	2,414
Interest on investments	4,520	4,520	7,411	2,891
Refunds and reimbursements	3,200	3,200	2,094	(1,106)
Other	6,500	6,500	9,629	3,129
TOTAL REVENUES	621,135	621,135	624,951	3,816
EXPENDITURES				
Public Safety:				
Police Department				
Salaries and wages	328,005	328,005	326,338	(1,667)
Employee benefits	133,884	133,884	121,462	(12,422)
Supplies	12,800	12,800	6,708	(6,092)
Uniforms	3,225	3,225	7,207	3,982
Audit	1,276	1,276	1,317	41
Legal services	5,500	5,500	4,234	(1,266)
Memberships and dues	300	300	480	180
Medical	8,735	8,735	10,677	1,942
Telephone	6,300	6,300	6,928	628
Beeper service	500	500	156	(344)
Travel	2,500	2,500	1,459	(1,041)
Gas and oil	735	735	557	(178)
Printing and publishing	400	400	165	(235)
Insurance	14,458	14,458	17,372	2,914
Utilities	9,500	9,500	7,934	(1,566)
Repairs and maintenance	9,300	9,300	6,373	(2,927)
Computer services	1,556	1,556	4,278	2,722
Education and training	9,400	9,400	3,446	(5,954)
Other	4,649	4,649	2,335	(2,314)
Child Registry Program	5,000	5,000	1,513	(3,487)
Total Police Department	558,023	558,023	530,939	(27,084)

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Crossing Guard Department				
Salaries and wages	\$ 14,847	\$ 14,847	\$ 11,948	\$ (2,899)
Employee benefits	3,220	3,220	1,612	(1,608)
Supplies	500	500	26	(474)
Audit	63	63	63	-
Other	50	50	-	(50)
Total Crossing Guard Department	18,680	18,680	13,649	(5,031)
Total Public Safety	576,703	576,703	544,588	(32,115)
Capital outlay	27,000	27,000	18,957	(8,043)
TOTAL EXPENDITURES	603,703	603,703	563,545	(40,158)
REVENUES OVER (UNDER) EXPENDITURES	17,432	17,432	61,406	43,974
OTHER FINANCING SOURCES				
Transfers in:				
General Fund	18,880	18,880	13,648	(5,232)
NET CHANGE IN FUND BALANCE	36,312	36,312	75,054	38,742
FUND BALANCE, BEGINNING OF YEAR	737,805	737,805	737,805	-
FUND BALANCE, END OF YEAR	\$ 774,117	\$ 774,117	\$ 812,859	\$ 38,742

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Garbage/Rubbish Fund
For the year ended March 31, 2004

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
REVENUES				
Special assessment	\$ 219,131	\$ 219,131	\$ 219,130	\$ (1)
Interest on investments	3,125	3,125	2,086	(1,039)
Other	100	100	6,454	6,354
TOTAL REVENUES	222,356	222,356	227,670	5,314
EXPENDITURES				
Garbage and Rubbish:				
Audit	286	286	286	-
Contractual services	290,254	290,254	272,602	(17,652)
Other	7,178	7,178	366	(6,812)
TOTAL EXPENDITURES	297,718	297,718	273,254	(24,464)
NET CHANGE IN FUND BALANCE	(75,362)	(75,362)	(45,584)	29,778
FUND BALANCE, BEGINNING OF YEAR	306,255	306,255	306,255	-
FUND BALANCE, END OF YEAR	\$ 230,893	\$ 230,893	\$ 260,671	\$ 29,778

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Net Assets
Proprietary Funds
March 31, 2004

	Enterprise Funds		
	Sewer	Water	Total
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 20,002	\$ 89,031	\$ 109,033
Investments	231,938	290,884	522,822
Taxes receivable - delinquent	771	41,054	41,825
Special assessments	15,567	20,620	36,187
Accrued interest receivable	47	43	90
Accounts receivable	127,843	100,394	228,237
Prepaid expenses	90,387	37,626	128,013
Inventory - supplies	9,496	45,055	54,551
TOTAL CURRENT ASSETS	496,051	624,707	1,120,758
OTHER ASSETS			
Due from NWUA	151,493	-	151,493
RESTRICTED ASSETS			
Cash and cash equivalents:			
Cash at County	-	3,112	3,112
Bond and interest	-	32,117	32,117
Investments:			
Evergreen project	36,670	-	36,670
Balsam Road project	-	8,511	8,511
Capital improvement	85,269	-	85,269
Construction projects	141,229	919,575	1,060,804
TOTAL RESTRICTED ASSETS	263,168	963,315	1,226,483
CAPITAL ASSETS			
Construction in progress	12,877	2,093	14,970
Property, plant and equipment	5,250,211	8,927,330	14,177,541
	5,263,088	8,929,423	14,192,511
Less accumulated depreciation	(2,421,090)	(1,990,088)	(4,411,178)
	2,841,998	6,939,335	9,781,333
<u>TOTAL ASSETS</u>	3,752,710	8,527,357	12,280,067

	Enterprise Funds		
	Sewer	Water	Total
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 44,539	\$ 29,271	\$ 73,810
Accrued payroll	1,971	2,581	4,552
Accrued interest payable	17,946	51,006	68,952
Customer advance deposits	4,850	7,170	12,020
Current portion of long-term debt	117,880	217,200	335,080
TOTAL CURRENT LIABILITIES	187,186	307,228	494,414
LONG-TERM LIABILITIES			
Contracts payable	1,461,631	4,707,212	6,168,843
Less current portion	(117,880)	(217,200)	(335,080)
TOTAL LONG-TERM LIABILITIES	1,343,751	4,490,012	5,833,763
TOTAL LIABILITIES	1,530,937	4,797,240	6,328,177
NET ASSETS			
Investment in capital assets, net of related debt	1,380,367	2,232,123	3,612,490
Restricted for debt service	36,670	43,740	80,410
Restricted for system replacement/construction	226,498	919,575	1,146,073
Unrestricted	578,238	534,679	1,112,917
TOTAL NET ASSETS	\$ 2,221,773	\$ 3,730,117	\$ 5,951,890

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the year ended March 31, 2004

	Enterprise Funds		
	Sewer	Water	Total
OPERATING REVENUES			
Charges for services	\$ 783,503	\$ 688,714	\$ 1,472,217
Equipment rental	1,417	-	1,417
Fines and fees	15,755	14,728	30,483
Refunds and reimbursements	11,069	-	11,069
Miscellaneous	-	1,959	1,959
TOTAL OPERATING REVENUES	811,744	705,401	1,517,145
OPERATING EXPENSES			
Salary and wages	62,055	77,448	139,503
Employee benefits	23,325	34,110	57,435
Postage	1,080	1,080	2,160
Operating supplies	8,506	12,652	21,158
Uniforms	816	816	1,632
Contracted services	12,013	12,812	24,825
Memberships and dues	288	1,089	1,377
Medical expenses	2,947	3,379	6,326
Telephone and communication	10,777	7,589	18,366
Travel	57	143	200
Insurance	25,042	29,572	54,614
Purchased water / sewer treatment	327,720	257,804	585,524
Gas and oil	1,671	1,257	2,928
Printing and publishing	270	-	270
Utilities	19,409	-	19,409
Repairs and maintenance	25,421	16,363	41,784
Education and training	458	1,407	1,865
Miscellaneous	51	1,730	1,781
Depreciation	137,443	222,239	359,682
TOTAL OPERATING EXPENSES	659,349	681,490	1,340,839
OPERATING INCOME (LOSS)	152,395	23,911	176,306
NON-OPERATING REVENUES (EXPENSES)			
Current property taxes	-	384,933	384,933
Interest income	6,814	13,088	19,902
Interest expense	(72,446)	(214,543)	(286,989)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(65,632)	183,478	117,846
CHANGE IN NET ASSETS	86,763	207,389	294,152
NET ASSETS, BEGINNING OF YEAR	2,135,010	3,522,728	5,657,738
NET ASSETS, END OF YEAR	\$ 2,221,773	\$ 3,730,117	\$ 5,951,890

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP
Statement of Cash Flows
Proprietary Funds
For the year ended March 31, 2004

	Enterprise Funds		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 843,470	\$ 693,061	\$ 1,536,531
Cash payments to employees	(61,959)	(67,576)	(129,535)
Cash payments to suppliers for goods and services	(450,596)	(381,001)	(831,597)
Cash payments for interfund services	4	2,010	2,014
NET CASH PROVIDED BY OPERATING ACTIVITIES	330,919	246,494	577,413
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Current property taxes	-	384,933	384,933
Acquisition and construction of capital assets	(37,440)	(9,128)	(46,568)
Principal paid on contracts payable	(161,456)	(217,100)	(378,556)
Interest paid on contracts payable	(72,446)	(214,543)	(286,989)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(271,342)	(55,838)	(327,180)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on operating funds	6,814	13,088	19,902
Purchase of investments	(59,315)	(104,553)	(163,868)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(52,501)	(91,465)	(143,966)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,076	99,191	106,267
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,926	25,069	37,995
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 20,002	\$ 124,260	\$ 144,262

	Enterprise Funds		
	Sewer	Water	Total
OPERATING INCOME (LOSS)	\$ 152,395	\$ 23,911	\$ 176,306
Adjustments to reconcile operating income (loss) to net cash provided in operating activities:			
Depreciation	137,443	222,239	359,682
(Increase) decrease in assets:			
Taxes receivable - delinquent	20	(5,872)	(5,852)
Special assessments receivable	3,136	2,578	5,714
Accrued interest receivable	118	345	463
Accounts receivable	(23,554)	(9,121)	(32,675)
Due from other funds	7	2,016	2,023
Due from other governmental units	51,881	-	51,881
Prepaid expenses	2,436	2,840	5,276
Inventory - supplies	-	(508)	(508)
Increase (decrease) in liabilities:			
Accounts payable	6,819	(1,530)	5,289
Accrued liabilities	96	9,872	9,968
Customer advance deposits	125	(270)	(145)
Due to other funds	(3)	(6)	(9)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 330,919	\$ 246,494	\$ 577,413

NON-CASH TRANSACTION:

The Township's share of the NWUA contract payable in the Sewer Fund decreased by \$44,310 during the year due to an decrease in the Township's usage of the NWUA system. The percentage of usage is used to determine each participating units' share of the bond payable. Changes in the Township's share of the contract payable due to usage are adjusted against the cost of acquiring and constructing capital assets.

The accompanying notes are an integral part of these financial statements.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Carrollton Township (the “Township”) has determined that no entities should be consolidated into its basic financial statements as component units. The criteria for including a component unit includes entities for which the Township is financially accountable. Therefore, the reporting entity consists only of the primary government.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *fire fund* accounts for the separate voted millage and the related operation of the fire department.

The *police fund* accounts for the separate voted millage and the related operation of the police and crossing guard departments.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The *garbage/rubbish fund* accounts for the contractual services the Township has retained for garbage/trash removal.

The government reports the following major proprietary funds:

The *sewer fund* accounts for the activities of the government's sewage disposal and treatment system.

The *water fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the Township reports *agency funds*, which account for assets held for other governments in an agency capacity, including tax collections and other project funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

BUDGETS AND BUDGETARY ACCOUNTING

Budgets for the General, Special Revenue, and Debt Service Funds are adopted, on a basis consistent with generally accepted accounting principles (GAAP), and are adopted on an activity level for each fund. The Township did amend its budget for the year ended March 31, 2004. Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

ASSETS, LIABILITIES AND EQUITY

Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Township property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Saginaw County.

Real property taxes not collected as of March 1 are turned over to Saginaw County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

Inventories and prepaid items

Inventory maintained by the Enterprise Funds are valued at cost using the first-in, first-out method. Inventory of expendable supplies in other funds has not been recorded and any amount of any such inventory is not considered material. The cost value of such inventory was recorded as an expenditure at the time of purchase.

Certain payments made to vendors are for services applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted assets

In the General Fund and Sewer and Water Enterprise Funds, certain proceeds from installment contracts and bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet and statement of net assets because their use is limited by applicable bond covenants or other agreements. Also, certain resources have been set aside to fund capital asset replacements.

In the Police Fund and Garbage/Rubbish Fund certain funds have been received with donor restrictions as to use.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Capital assets

Capital assets, which include property, plant, and equipment (the Township owns infrastructure assets such as water and sewer systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Public domain infrastructure	50
System infrastructure	50
Vehicles	5
Equipment	3-10

Compensated absences

At the end of each year all employees are reimbursed for unused personal time. Employees are not allowed to accumulate vacation time from year to year.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

During the year ended March 31, 2004, the Township incurred expenditures, which were in excess of the amounts appropriated in various activities as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>(Unfavorable) Variance</u>
GENERAL FUND			
Supervisor/Assessors Office	\$ 65,071	\$ 66,146	\$ (1,075)
Treasurer	92,213	93,896	(1,683)
Code Enforcement/Inspections	42,585	49,738	(7,153)
Department of Public Works	103,998	112,783	(8,785)
Other Functions	-	432	(432)
SPECIAL REVENUE FUNDS			
Budget Stabilization – Transfers out	-	53,287	(53,287)
DEBT SERVICE FUNDS			
Debt Service	9,094	49,659	(40,565)

3. DEPOSITS AND INVESTMENTS

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Government-wide Financial Statement Captions:			
Cash and cash equivalents	\$ 613,782	\$ -	\$ 613,782
Investments	1,727,014	1,145,264	2,872,278
Restricted assets - cash and cash equivalents	81,354	-	81,354
Restricted assets - investments	305,231	933,182	1,238,413
Fiduciary Fund Financial Statement Captions:			
Cash and cash equivalents	<u>4,875</u>	<u>-</u>	<u>4,875</u>
	<u>\$ 2,732,256</u>	<u>\$ 2,078,446</u>	<u>\$ 4,810,702</u>

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Deposits

Deposits are carried at cost. Deposits of the Township are at various banks in the name of the Township Treasurer. The carrying amount of deposits at March 31, 2004, was \$2,732,256. The bank balance was as follows:

	<u>Bank Balance</u>
Insured (FDIC)	\$ 700,000
Uninsured, uncollateralized	<u>1,988,393</u>
	<u>\$ 2,688,393</u>

Investments

The Township is authorized by the Township Board to invest surplus funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- In banker's acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at March 31, 2004. Risk Category 1 includes those investments that are insured or registered or held by the Township or the Township's agent in the Township's name. Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Category</u>
Commercial Paper	\$ 502,805	\$ 502,805	3
Uncategorized:			
Governmental Short-Term Investment Fund	<u>1,575,641</u>	<u>1,575,641</u>	
Total Investments	<u>\$2,078,446</u>	<u>\$2,078,446</u>	

4. RECEIVABLES

Receivables as of year end for the government's governmental and business-type activities in the aggregate, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Receivables:		
Taxes	\$ 124,979	\$ 41,825
Special assessments:		
Due within one year	2,202	1,426
Due after one year	22,302	34,761
Interest	2,445	90
Accounts	85,400	228,237
Intergovernmental	<u>137,616</u>	<u>151,493</u>
 Total receivables	 <u>\$ 374,944</u>	 <u>\$ 457,832</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>
Long-term intergovernmental receivables:	
General fund	\$ 69,296
Special assessments not yet due	
General fund	<u>24,504</u>
Total deferred revenue for governmental funds	<u>\$ 93,800</u>

5. CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated – Land	\$ 59,035	\$ -	\$ -	\$ 59,035
Capital assets being depreciated:				
Buildings	801,014	4,816	-	805,830
Vehicles	759,011	25,992	-	785,003
Equipment	<u>736,076</u>	<u>12,467</u>	-	<u>748,543</u>
Total capital assets being depreciated	<u>2,296,101</u>	<u>43,275</u>	-	<u>2,339,376</u>
Less accumulated depreciation				
Buildings	(605,974)	(15,325)	-	(621,299)
Vehicles	(587,735)	(37,549)	-	(625,284)
Equipment	<u>(529,848)</u>	<u>(72,730)</u>	-	<u>(602,578)</u>
Total accumulated depreciation	<u>(1,723,557)</u>	<u>(125,604)</u>	-	<u>(1,849,161)</u>
Total capital assets being depreciated, net	<u>572,544</u>	<u>(82,329)</u>	-	<u>490,215</u>
Governmental activities capital assets, net	<u>\$ 631,579</u>	<u>\$ (82,329)</u>	<u>\$ -</u>	<u>\$ 549,250</u>

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being				
Depreciated				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in progress	-	14,970	-	14,970
Total capital assets not being depreciated	<u>1,000</u>	<u>14,970</u>	<u>-</u>	<u>15,970</u>
Capital assets being depreciated:				
Buildings and systems	13,760,905	-	(44,310)	13,716,595
Vehicles	138,881	14,069	-	152,950
Equipment	<u>245,157</u>	<u>61,839</u>	<u>-</u>	<u>306,996</u>
Total capital assets being depreciated	<u>14,144,943</u>	<u>75,908</u>	<u>(44,310)</u>	<u>14,176,541</u>
Less accumulated depreciation:				
Buildings and systems	(3,785,597)	(313,926)	-	(4,099,523)
Vehicles	(55,251)	(18,449)	-	(73,700)
Equipment	<u>(210,648)</u>	<u>(27,307)</u>	<u>-</u>	<u>(237,955)</u>
Total accumulated depreciation	<u>(4,051,496)</u>	<u>(359,682)</u>	<u>-</u>	<u>(4,411,178)</u>
Total capital assets being depreciated, net	<u>10,093,447</u>	<u>(283,774)</u>	<u>(44,310)</u>	<u>9,765,363</u>
Business-type activities capital assets, net	<u>\$ 10,094,447</u>	<u>\$(268,804)</u>	<u>\$ (44,310)</u>	<u>\$ 9,781,333</u>

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 68,589
Public safety	26,946
Public works	<u>30,069</u>

Total depreciation expense – governmental activities \$ 125,604

Business-type activities:

Sewer	\$ 137,443
Water	<u>222,239</u>

Total depreciation expense – business-type activities \$ 359,682

6. PAYABLES

Accounts payable and accrued expenses as of year end for the government's governmental and business-type activities in the aggregate, are as follows:

	Governmental Activities	Business-type Activities
Payables:		
Accounts	\$ 77,448	\$ 73,810
Payroll	24,768	4,552
Liabilities	43,688	-
Interest	-	68,952
Advance	-	12,020
Intergovernmental	<u>24,380</u>	<u>-</u>
Total payables	<u><u>\$ 170,284</u></u>	<u><u>\$ 159,334</u></u>

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

7. DEFINED CONTRIBUTION BENEFIT PLAN

The Carrollton Township Group Pension Plan is a defined contribution pension plan established by the Township Board and administered by Manulife Financial, a third party administrator, to provide benefits at retirement to eligible employees. The Township Plan is available to full time Township employees who work 1,800 hours, regular part time employees who work 1,040 or more per year and elected officials. At March 31, 2004, all 22 eligible persons were plan members.

Full time and regular part time employees are not required to contribute but have the option of contribution up to 10% and 5% respectfully. The Township is required to contribute 10% of the employee's base salary on April 1 of the plan year. Contributions made by an employee vest immediately and contributions made by the Township vest after 3 years of employment. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions if vesting requirements are satisfied, plus interest earned.

Plan provisions and contribution requirements are established and may be amended by the Township Board.

During the year, the Township's required and actual contributions amounted to \$59,590.

8. LONG-TERM DEBT

Long-term obligations for the year ended March 31, 2004, were as follows:

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance March 31, 2004</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Installment Contracts					
Township vehicle – original issue of \$16,985 with an annual maturity of \$5,662 maturing through December 5, 2004, bearing interest of 0.0%	\$ 9,908	\$ -	\$ (5,662)	\$ 4,246	\$ 4,246

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance March 31, 2004</u>	<u>Due Within One Year</u>
Special Assessment Bonds (with government obligation for any deficiency)					
Michigan Road Branch of Universal Drain Bond, original issue of \$461,500 with annual maturities of \$46,150, maturing through June 1, 2003, bearing interest of 3.15% to 4.5%.	\$ 46,150	\$ -	\$ (46,150)	\$ -	\$ -
Schust Road Branch of Elmers Drain Bond, original issue of \$50,000 with an annual maturity of \$2,350 to \$5,000, maturing through June 1, 2003, bearing interest of 3.75% to 4.75%.	2,350	-	(2,350)	-	-
Evergreen Lane Storm Sewer Drain Bond, original issue of \$85,231 with annual maturities of \$2,435 to \$4,870 maturing through October 1, 2016, bearing interest of 4.95% to 7.95%.	<u>63,315</u>	<u>-</u>	<u>(2,434)</u>	<u>60,881</u>	<u>4,871</u>
Subtotal	<u>121,723</u>	<u>-</u>	<u>(56,596)</u>	<u>65,127</u>	<u>9,117</u>
BUSINESS-TYPE ACTIVITIES					
Contracts Payable - Saginaw County NWUA Project, original issue of \$1,366,407 with annual maturities of \$57,397 to \$107,387 maturing through May 2, 2016, bearing interest from 4.5% to 5.5%.	1,071,252	-	(104,977) ¹	966,275	59,534
Weiss Street CSO Project, original issue of \$69,380 with annual maturities of \$3,849 to \$5,246 maturing through September 1, 2012, bearing interest of 2%	48,095	-	(4,386)	43,709	4,472
Weiss Street In Line Detention, original issue of \$16,536 with maturities of \$688 to \$1,054 maturing through October 1, 2016, bearing interest of 2.25%	12,150	-	(795)	11,355	817

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance March 31, 2004</u>	<u>Due Within One Year</u>
Evergreen Lane Sewer Improvement Drain Contract, original issue of \$61,585 with annual maturities of \$1,760 to \$3,519 maturing through October 1, 2016, bearing interest of 4.95% to 7.95%.	\$ 45,748	\$ -	\$ (1,760)	\$ 43,988	\$ 3,519
Michigan Drinking Water Revolving Fund Program, original issue of \$2,009,800, with annual maturities of \$85,000 to \$135,000 maturing through October 1, 2018, bearing interest of 2.5%	1,730,000	-	(90,000)	1,640,000	90,000
Watermain Improvements Phase II, original issue of \$1,275,000 with annual maturities of \$50,000 to \$100,000 maturing through June 1, 2019, bearing interest from 4.0% to 5.0%.	1,125,000	-	(50,000)	1,075,000	50,000
Watermain Improvements Phase III, original issue of \$2,145,000 with annual maturities of \$50,000 to \$170,000 maturing through June 1, 2020, bearing interest of 4.45% to 5.5%.	2,045,000	-	(75,000)	1,970,000	75,000
Balsam Street Water Line Extension - original issue of \$35,250 with annual maturities of \$1,900 to \$3,350 maturing through March 1, 2012, bearing interest of 6.55%.	24,312	-	(2,100)	22,212	2,200

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

	<u>Balance</u> <u>April 1,</u> <u>2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>March 31,</u> <u>2004</u>	<u>Due Within</u> <u>One Year</u>
Rehabilitation Project for Tulane and Piper Sewer Pump Station Tributaries - original issue of \$495,380 with an annual maturity of \$49,538 maturing through May 1, 2011, bearing interest of 4.94%.	\$ 445,842	\$ -	\$ (49,538)	\$ 396,304	\$ 49,538
Subtotal	<u>6,547,399</u>	<u>-</u>	<u>(378,556)</u>	<u>6,168,843</u>	<u>335,080</u>
TOTAL LONG-TERM DEBT	<u>\$6,669,122</u>	<u>\$ -</u>	<u>\$ (435,152)</u>	<u>\$6,233,970</u>	<u>\$ 344,197</u>

¹ The reduction of the Township's share of the debt is comprised of a principle payment of \$60,667 and a \$44,310 change in the Township's share of the debt as a result of changes in their share of the NWUA flow as described below.

The Township is a participant in the Northwest Utilities Authority pump station improvement program. This program and the defeasance of eligible bonds from the 1990 NWUA debt were financed by \$3,690,000 in general obligation bonds issued by Saginaw County. The Township has a contract with Saginaw County D.P.W. for the cost of the construction attributable to its 3 year average flow. Debt service share varies annually based upon this flow. For the year ended March 31, 2004, the Township's share of the flow was 30.53%. The contract principal portion owed by Carrollton Township has been recorded as a liability of the Sewer Fund. The assets related to this debt are recorded as assets of the Sewer Fund. Original prorata share of annual installments varies from \$57,397 to \$107,387 through May 1, 2016, with interest ranging from 4.5% to 5.5%.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The annual requirements to pay future principal and interest on the governmental installment contract and special assessment bonded debt are as follows:

<u>Year ending March 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 9,117	\$ 3,288
2006	2,435	3,102
2007	4,870	2,911
2008	4,870	2,653
2009	4,870	2,122
2010-14	24,353	7,841
2015-17	<u>14,612</u>	<u>1,302</u>
	<u>\$ 65,127</u>	<u>\$ 23,219</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 335,080	\$ 258,452
2006	341,702	244,260
2007	345,196	229,863
2008	353,556	215,430
2009	380,390	200,459
2010-14	2,003,985	753,814
2015-19	1,988,934	322,356
2020-21	<u>420,000</u>	<u>20,650</u>
	<u>\$6,168,843</u>	<u>\$2,245,284</u>

There are a number of limitations and restrictions contained in the bond indenture. The Township is in compliance with all significant limitations and restrictions.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of March 31, 2004, is as follows:

Due to/from other funds:	
	Due From
Due to	General Fund
Police fund	\$ 8,523
Nonmajor governmental funds	13,887
Total	<u>\$ 22,410</u>

The balances are a result of time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The remaining interfund balances are to correct insurance allocations.

Interfund transfers:

Transfer to:	Transfer from		
	General Fund	Nonmajor Governmental	Total
General fund	\$ -	\$ 124,490	\$ 124,490
Police fund	13,648	-	13,648
Nonmajor governmental funds	<u>25,353</u>	<u>-</u>	<u>25,353</u>
Total transfers out	<u>\$ 39,001</u>	<u>\$ 124,490</u>	<u>\$ 163,491</u>

The interfund transfer from the General Fund to the Police Special Revenue Fund is for the purpose of subsidizing the crossing guard activity.

The interfund transfer from the General Fund to the Nonmajor Governmental Funds is for the purposes of moving additional net revenues from building inspections to the Building Inspection Fund.

The interfund transfer from the Nonmajor Governmental Funds to the General Fund is for the purpose of keeping the General Fund fund balance stable from year to year.

CARROLLTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

10. CONTINGENCIES AND COMMITMENTS

In the normal course of its activities, the Township is a party to various legal actions. After taking into consideration legal counsel's evaluation of pending actions, the Township is of the opinion that the potential claims not covered by insurance will not have a material effect on the financial statements.

In addition, the Township has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

11. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2004, the Township paid \$4,208 for engineering services from a vendor, which is owned and operated by the Township zoning administrator's son. The Township also contracted with a vendor that is owned by a cousin of a Township DPW employee to perform sewer and water projects in the amount of \$4,300.

12. PRIOR PERIOD ADJUSTMENT

During the year ended March 31, 2004, a prior period adjustment in the amount of \$11,258 was necessary to properly account for the overstatement of cash held at the county in the Drain District Special Assessment Debt Service Fund, during the year ended March 31, 2003. The effect on the Drain District Special Assessment fund balance was as follows:

Fund balance, beginning of year, as previously stated	\$ 60,917
Prior period adjustment	<u>(11,258)</u>
Fund balance, beginning of year, as restated	<u>\$ 49,659</u>

The effect on the Governmental Activities net assets was as follows:

Net assets, beginning of year, as previously stated	\$ 3,585,581
Prior period adjustment	<u>(11,258)</u>
Net assets, beginning of year, as restated	<u>\$ 3,574,323</u>

* * * * *

**COMBINING AND INDIVIDUAL NONMAJOR FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CARROLLTON TOWNSHIP
Detail Schedule of Revenues - Budget and Actual
General Fund
For the year ended March 31, 2004

	Budgeted Amounts		Actual		Actual Over (Under)
	Original	Final			Final Budget
TAXES					
Current property	\$ 73,521	\$ 75,961	\$ 76,390	\$	429
Special assessments	3,902	3,902	6,088		2,186
Tax reverted	-	-	18		18
Industrial facility tax	503	503	518		15
Penalties and interest on taxes	1,125	1,125	3,297		2,172
Property tax administration fee	38,500	39,480	39,188		(292)
TOTAL TAXES	117,551	120,971	125,499		4,528
LICENSES AND PERMITS					
Business license	1,350	1,350	1,680		330
Cable TV franchise	53,200	53,601	54,721		1,120
Permits and fees	-	1,375	1,843		468
TOTAL LICENSES AND PERMITS	54,550	56,326	58,244		1,918
STATE GRANTS					
Sales tax	668,661	674,307	690,061		15,754
DONATIONS	1,930	1,930	2,125		195
CHARGES FOR SERVICES					
Dog license fees	20	20	36		16
Weed cutting	2,500	2,500	4,058		1,558
Equipment rental	-	-	1,417		1,417
Election reimbursement	2,230	1,851	1,851		-
TOTAL CHARGES FOR SERVICES	4,750	4,371	7,362		2,991
INTEREST ON INVESTMENTS	6,500	8,105	11,617		3,512
REIMBURSEMENTS AND REFUNDS					
Summer state tax reimbursement	8,250	7,685	7,685		-
Refunds and rebates	-	-	442		442
TOTAL REIMBURSEMENTS AND REFUNDS	8,250	7,685	8,127		442
OTHER REVENUE					
Interest on tax collection	300	300	869		569
Sale of fixed assets	-	-	75		75
Other	300	1,922	1,832		(90)
TOTAL OTHER REVENUE	600	2,222	2,776		554
OTHER FINANCING SOURCES					
Transfers in:					
Budget Stabilization	692	-	53,287		53,287
Capital Improvements	-	-	71,203		71,203
TOTAL OTHER FINANCING SOURCES	692	-	124,490		124,490
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 863,484	\$ 875,917	\$ 1,030,301	\$	154,384

CARROLLTON TOWNSHIP
Detail Schedule of Expenditures - Budget and Actual
General Fund
For the year ended March 31, 2004

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
GENERAL GOVERNMENT				
Township Board:				
Salaries and wages	\$ 24,228	\$ 24,228	\$ 23,931	\$ (297)
Employee benefits	352	352	3,309	2,957
Supplies	-	-	25	25
Uniforms	300	300	-	(300)
Memberships and dues	2,750	2,750	2,540	(210)
Travel	1,000	1,000	319	(681)
Education and training	2,000	2,000	58	(1,942)
	30,630	30,630	30,182	(448)
Supervisor/Assessors Office:				
Salaries and wages	47,846	47,476	47,800	324
Employee benefits	3,660	12,281	12,136	(145)
Supplies	1,300	1,627	1,333	(294)
Telephone	2,000	1,500	1,273	(227)
Contractual services	500	-	1,900	1,900
Memberships and dues	310	490	180	(310)
Travel	200	107	107	-
Printing and publishing	1,300	1,200	1,027	(173)
Education and training	800	390	390	-
Miscellaneous	50	-	-	-
	57,966	65,071	66,146	1,075
Elections:				
Salaries and wages	1,264	1,264	1,161	(103)
Employee benefits	98	98	140	42
Supplies	550	550	206	(344)
Software maintenance	250	250	250	-
Hall rental	75	75	75	-
Printing and publishing	60	60	33	(27)
Travel	70	70	-	(70)
Miscellaneous	170	170	73	(97)
	2,537	2,537	1,938	(599)
Clerk:				
Salaries and wages	69,989	66,596	67,035	439
Employee benefits	5,567	22,562	22,712	150
Postage	-	-	-	-
Supplies	550	536	569	33
Contractual services	600	2,843	2,842	(1)
Membership and dues	385	350	270	(80)
Travel	2,800	2,660	2,258	(402)
Education and Training	2,500	1,172	899	(273)
Miscellaneous	50	5	1	(4)
	82,441	96,724	96,586	(138)

(Continued)

CARROLLTON TOWNSHIP
Detail Schedule of Expenditures - Budget and Actual (Continued)
General Fund
For the year ended March 31, 2004

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
GENERAL GOVERNMENT (CONTINUED)				
Board of Review:				
Salaries and wages	\$ 320	\$ 350	\$ 330	\$ (20)
Employee benefits	25	28	26	(2)
Travel	25	-	-	-
Printing and publishing	175	205	-	(205)
Education and training	100	-	-	-
Miscellaneous	-	83	103	20
	645	666	459	(207)
Treasurer:				
Salaries and wages	61,248	58,456	58,945	489
Employee benefits	4,685	21,811	22,010	199
Supplies	10,400	8,724	8,863	139
Telephone	840	685	641	(44)
Memberships and dues	190	160	160	-
Travel	1,200	1,295	1,261	(34)
Education and training	2,000	341	341	-
Delinquent tax charge-backs	5,500	337	337	-
Miscellaneous	1,000	404	1,338	934
	87,063	92,213	93,896	1,683
Building and Grounds:				
Salaries and wages	21,819	20,286	17,009	(3,277)
Employee benefits	1,669	6,768	6,542	(226)
Supplies	15,500	13,000	8,230	(4,770)
Telephone	7,341	7,341	6,824	(517)
Contractual services	820	820	446	(374)
Water and sewer	500	500	479	(21)
Gas and electric	14,514	14,514	13,321	(1,193)
Repairs and maintenance	64,500	57,553	16,063	(41,490)
Miscellaneous	50	50	11	(39)
	126,713	120,832	68,925	(51,907)
Other General Government Expenditures:				
Postage	10,622	10,772	10,790	18
Supplies	10,500	11,610	8,959	(2,651)
Computer maintenance	38,702	40,536	43,191	2,655
Audit	4,830	4,544	4,544	-
Legal	15,000	27,180	22,012	(5,168)
Contracted services	4,800	1,985	2,235	250
Memberships and dues	200	200	145	(55)
Travel	1,300	1,300	166	(1,134)

(Continued)

CARROLLTON TOWNSHIP
Detail Schedule of Expenditures - Budget and Actual (Continued)
General Fund
For the year ended March 31, 2004

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
GENERAL GOVERNMENT (CONTINUED)				
Other General Government Expenditures (Continued):				
Printing and publishing	\$ 13,500	\$ 13,500	\$ 6,530	\$ (6,970)
General insurance	27,282	30,994	30,960	(34)
Repair and maintenance	4,792	2,500	3,578	1,078
Education and training	3,500	7,790	5,994	(1,796)
Miscellaneous	250	512	463	(49)
	135,278	153,423	139,567	(13,856)
Code Enforcement/Inspections:				
Salaries and wages	27,463	30,478	29,201	(1,277)
Employee benefits	2,101	8,596	8,304	(292)
Supplies	1,400	1,445	1,412	(33)
Uniforms	150	-	-	-
Legal	3,500	1,400	985	(415)
Contracted services	-	-	7,490	7,490
Travel	100	(325)	44	369
Repairs and maintenance	1,000	425	621	196
Education and training	250	191	121	(70)
Miscellaneous	475	375	-	(375)
	36,439	42,585	48,178	5,593
Planning Commission:				
Salaries and wages	5,837	5,837	5,354	(483)
Employee benefits	447	1,389	1,432	43
Supplies	700	840	795	(45)
Legal	800	800	44	(756)
Membership and dues	800	800	680	(120)
Travel	750	750	-	(750)
Printing and publishing	500	1,200	1,167	(33)
Education and training	1,000	1,000	-	(1,000)
Miscellaneous	50	50	29	(21)
	10,884	12,666	9,501	(3,165)

(Continued)

CARROLLTON TOWNSHIP
Detail Schedule of Expenditures - Budget and Actual (Continued)
General Fund
For the year ended March 31, 2004

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
GENERAL GOVERNMENT (CONTINUED)				
Board of Appeals:				
Salaries	\$ 185	\$ 185	\$ 95	\$ (90)
Employee benefits	15	15	8	(7)
Legal	500	500	-	(500)
Memberships and dues	525	525	365	(160)
Travel	100	100	-	(100)
Printing and publishing	200	200	-	(200)
Education and training	250	250	-	(250)
Miscellaneous	50	50	6	(44)
	1,825	1,825	474	(1,351)
TOTAL GENERAL GOVERNMENT	572,421	619,172	555,852	(63,320)
DEPARTMENT OF PUBLIC WORKS				
Salaries and wages	61,474	59,909	66,706	6,797
Employee benefits	4,702	25,085	26,008	923
Supplies	6,275	6,562	6,708	146
Telephone	3,500	2,550	2,576	26
Uniforms	1,500	793	816	23
Gas/oil	1,900	1,444	1,420	(24)
Repairs and maintenance	33,500	7,173	8,006	833
Travel	500	50	49	(1)
Education and training	800	320	350	30
Miscellaneous	100	112	144	32
TOTAL DEPARTMENT OF PUBLIC WORKS	114,251	103,998	112,783	8,785
HIGHWAYS AND STREETS				
Roads	265,112	265,112	22,519	(242,593)
Drains-at-large	36,100	32,200	14,587	(17,613)
Street lighting	73,302	73,302	35,064	(38,238)
TOTAL HIGHWAYS AND STREETS	374,514	370,614	72,170	(298,444)

(Continued)

CARROLLTON TOWNSHIP
Detail Schedule of Expenditures - Budget and Actual (Concluded)
General Fund
For the year ended March 31, 2004

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
PARKS				
Salaries and wages	\$ 4,456	\$ 2,246	\$ 2,029	\$ (217)
Employee benefits	342	882	873	(9)
Supplies	100	30	27	(3)
Repairs and maintenance	33,900	1,038	893	(145)
Community projects	2,750	2,400	2,347	(53)
TOTAL PARKS	41,548	6,596	6,169	(427)
OTHER FUNCTIONS				
Employee Benefits:				
Group insurance	53,495	-	-	-
Pension	21,204	-	-	-
Worker's compensation	8,379	-	432	432
Unemployment	1,513	-	-	-
Medical	7,997	-	-	-
Miscellaneous	3,250	-	-	-
TOTAL OTHER FUNCTIONS	95,838	-	432	432
CAPITAL OUTLAY	57,300	62,376	16,927	(45,449)
DEBT SERVICE				
Principal	8,098	10,260	8,096	(2,164)
Interest and charges	3,617	3,746	3,617	(129)
TOTAL DEBT SERVICE	11,715	14,006	11,713	(2,293)
OTHER FINANCING USES				
Transfers (out):				
Police Fund	18,880	18,880	13,648	(5,232)
Building Inspection Department Fund	11,466	22,986	25,353	2,367
TOTAL OTHER FINANCING USES	30,346	41,866	39,001	(2,865)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 1,297,933	\$ 1,218,628	\$ 815,047	\$ (403,581)

CARROLLTON TOWNSHIP
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2004

	Special Revenue Funds				
	Building Inspection	Budget Stabilization	Special Investigative	Recreation	Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 3,718	\$ -	\$ 18,079	\$ 5,977	\$ 27,774
Investments	-	-	8,608	10,596	19,204
Accrued interest receivable	-	-	-	2	2
Accounts receivable	-	-	-	120	120
Due from other funds	13,887	-	-	-	13,887
Prepaid expenditures	672	-	-	161	833
<u>TOTAL ASSETS</u>	\$ 18,277	\$ -	\$ 26,687	\$ 16,856	\$ 61,820
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ 173	\$ -	\$ -	\$ 220	\$ 393
Accrued payroll	473	-	-	-	473
TOTAL LIABILITIES	646	-	-	220	866
FUND BALANCES					
Reserved for prepaid items	672	-	-	161	833
Unreserved:					
Designated for subsequent years' expenditures	11,547	-	2,144	13,879	27,570
Undesignated	5,412	-	24,543	2,596	32,551
TOTAL FUND BALANCES	17,631	-	26,687	16,636	60,954
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 18,277	\$ -	\$ 26,687	\$ 16,856	\$ 61,820

Debt Service Fund	Capital Project Fund	Total Nonmajor Governmental Funds
Drain District Special Assessment	Capital Improvements	
\$ -	\$ -	\$ 27,774
-	-	19,204
-	-	2
-	-	120
-	-	13,887
-	-	833
\$ -	\$ -	\$ 61,820

\$ -	\$ -	\$ 393
-	-	473
-	-	866
-	-	833
-	-	27,570
-	-	32,551
-	-	60,954
\$ -	\$ -	\$ 61,820

CARROLLTON TOWNSHIP
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
For the year ended March 31, 2004

	Special Revenue Funds				
	Building Inspection	Budget Stabilization	Special Investigative	Recreation	Total
REVENUES					
Licenses and permits	\$ 14,923	\$ -	\$ -	\$ -	\$ 14,923
Charges for services	-	-	-	27,802	27,802
Fines and forfeits	-	-	19,953	-	19,953
Interest on investments	88	-	80	139	307
Other	-	-	-	912	912
TOTAL REVENUES	15,011	-	20,033	28,853	63,897
EXPENDITURES					
Public safety	38,578	-	1,973	-	40,551
Recreation	-	-	-	17,998	17,998
Debt service - principal	-	-	-	-	-
Debt service - interest and charge	-	-	-	-	-
TOTAL EXPENDITURES	38,578	-	1,973	17,998	58,549
REVENUES OVER (UNDER) EXPENDITURES	(23,567)	-	18,060	10,855	5,348
OTHER FINANCING SOURCES					
Transfers in	25,353	-	-	-	25,353
Transfers (out)	-	(53,287)	-	-	(53,287)
TOTAL OTHER FINANCING SOURCES (USES)	25,353	(53,287)	-	-	(27,934)
NET CHANGE IN FUND BALANCES	1,786	(53,287)	18,060	10,855	(22,586)
FUND BALANCES, BEGINNING OF YEAR	15,845	53,287	8,627	5,781	83,540
FUND BALANCES, END OF YEAR	\$ 17,631	\$ -	\$ 26,687	\$ 16,636	\$ 60,954

Debt Service Fund	Capital Project Fund	Total Nonmajor Governmental Funds
Drain District Special Assessment	Capital Improvements	
\$ -	\$ -	\$ 14,923
-	-	27,802
-	-	19,953
-	-	307
-	-	912
-	-	63,897
-	-	40,551
-	-	17,998
48,500	-	48,500
1,159	-	1,159
49,659	-	108,208
(49,659)	-	(44,311)
-	-	25,353
-	(71,203)	(124,490)
-	(71,203)	(99,137)
(49,659)	(71,203)	(143,448)
49,659	71,203	204,402
\$ -	\$ -	\$ 60,954

CARROLLTON TOWNSHIP
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Building Inspection Fund
For the year ended March 31, 2004

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
REVENUES				
Permits	\$ 16,000	\$ 14,800	\$ 14,923	\$ 123
Interest on investments	50	85	88	3
TOTAL REVENUES	16,050	14,885	15,011	126
EXPENDITURES				
Public Safety:				
Salaries and wages	26,220	33,330	30,607	(2,723)
Employee benefits	5,434	6,504	6,227	(277)
Legal	-	1,161	1,161	-
Supplies	500	420	402	(18)
Travel	75	-	-	-
Printing and publishing	100	100	-	(100)
Education and training	150	181	181	-
Other	50	-	-	-
TOTAL EXPENDITURES	32,529	41,696	38,578	(3,118)
REVENUES OVER (UNDER) EXPENDITURES	(16,479)	(26,811)	(23,567)	3,244
OTHER FINANCING SOURCES				
Transfers in:				
General Fund	11,466	25,353	25,353	-
NET CHANGE IN FUND BALANCE	(5,013)	(1,458)	1,786	3,244
FUND BALANCE, BEGINNING OF YEAR	15,845	15,845	15,845	-
FUND BALANCE, END OF YEAR	\$ 10,832	\$ 14,387	\$ 17,631	\$ 3,244

CARROLLTON TOWNSHIP
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Budget Stabilization Fund
For the year ended March 31, 2004

	Budgeted Amounts			Actual	Actual Over (Under) Final Budget
	Original	Final			
REVENUES					
Interest on investments	\$ 692	\$ -	\$ -	\$ -	-
OTHER FINANCING (USES)					
Transfers (out):					
General Fund	(692)	-	(53,287)	53,287	
NET CHANGE IN FUND BALANCE	-	-	(53,287)	(53,287)	
FUND BALANCE, BEGINNING OF YEAR	53,287	53,287	53,287	-	
FUND BALANCE, END OF YEAR	\$ 53,287	\$ 53,287	\$ -	\$ (53,287)	

CARROLLTON TOWNSHIP
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Special Investigative Fund
For the year ended March 31, 2004

	Budgeted Amounts		Actual		Actual Over (Under) Final Budget
	Original	Final			
REVENUES					
Fines and forfeits	\$ 500	\$ 19,953	\$ 19,953	\$	-
Interest on investments	110	50	80		30
TOTAL REVENUES	610	20,003	20,033		30
EXPENDITURES					
Public Safety:					
Supplies	20	20	-		(20)
Legal	500	1,973	1,973		-
Other	300	300	-		(300)
TOTAL EXPENDITURES	820	2,293	1,973		(320)
NET CHANGE IN FUND BALANCE	(210)	17,710	18,060		350
FUND BALANCE, BEGINNING OF YEAR	8,627	8,627	8,627		-
FUND BALANCE, END OF YEAR	\$ 8,417	\$ 26,337	\$ 26,687	\$	350

CARROLLTON TOWNSHIP
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Recreation Fund
For the year ended March 31, 2004

	Budgeted Amounts		Actual		Actual Over (Under) Final Budget
	Original	Final			
REVENUES					
Charges for services	\$ -	\$ 27,710	\$ 27,802	\$ 92	
Interest on investments	-	67	139	72	
Other	-	885	912	27	
TOTAL REVENUES	-	28,662	28,853	191	
EXPENDITURES					
Recreation:					
Salary and wages	-	3,140	1,651	(1,489)	
Employee benefits	-	423	312	(111)	
Supplies	-	15,103	14,362	(741)	
Community projects	-	-	88	88	
Other	-	1,965	1,585	(380)	
TOTAL EXPENDITURES	-	20,631	17,998	(2,633)	
NET CHANGE IN FUND BALANCE	-	8,031	10,855	2,824	
FUND BALANCE, BEGINNING OF YEAR	5,781	5,781	5,781	-	
FUND BALANCE, END OF YEAR	\$ 5,781	\$ 13,812	\$ 16,636	\$ 2,824	

CARROLLTON TOWNSHIP
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Drain District Special Assessment Fund
For the year ended March 31, 2004

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
EXPENDITURES				
Debt service - principal	\$ 8,350	\$ 8,350	\$ 48,500	\$ 40,150
Debt service - interest and charge	744	744	1,159	415
TOTAL EXPENDITURES	9,094	9,094	49,659	40,565
FUND BALANCE, BEGINNING OF YEAR	49,659	49,659	49,659	-
FUND BALANCE, END OF YEAR	<u>\$ (40,565)</u>	<u>\$ (40,565)</u>	<u>\$ -</u>	<u>\$ 40,565</u>

ASSETS

LIABILITIES

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INTERNAL CONTROL AND COMPLIANCE



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

July 21, 2004

To the Township Board
Carrollton Township
Saginaw County, Michigan

We have audited the financial statements of ***Carrollton Township***, as of and for the year ended March 31, 2004, and have issued our report thereon dated July 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether ***Carrollton Township's*** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ***Carrollton Township's*** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of ***Carrollton Township*** in a separate letter dated July 21, 2004.

This report is intended solely for the information and use of management, the Carrollton Township Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style with a large initial 'L'.



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

July 21, 2004

To the Township Board
Carrollton Township
Saginaw, Michigan 48604

In planning and performing our audit of the basic financial statements of ***Carrollton Township, Michigan***, for the year ended March 31, 2004, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated July 21, 2004, on the financial statements of ***Carrollton Township, Michigan***.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We would like to thank the management and personnel for their support and assistance during our audit of ***Carrollton Township, Michigan***, for the year ended March 31, 2004.

CARROLLTON TOWNSHIP, MICHIGAN

COMMENTS AND RECOMMENDATIONS

MARCH 31, 2004

A. Compensatory Time

As we have commented on in prior years, the Township has allowed employees to elect to have overtime hours accumulated as compensatory time rather than paying the employee at the time the hours are worked and, in the past, this agreement has been a part of each union or employment contract. During the audit, we noted that an employee submitted a time card requesting to use compensatory time but the payroll clerk had no record of this time being earned. In order to determine the Township's policy regarding documentation of compensatory time, we reviewed the union contract that covers this employee and the Township personnel manual and found that neither document provides for compensatory time. A review of the time cards submitted to the payroll clerk did not show that the employee had worked over-time that should be accrued as compensatory time; therefore, the payroll records did not reflect compensatory time had been earned. As a result, the documentation required by the Fair Labor Standards Act was not created. We have multiple recommendations regarding the current compensatory time practices.

1. The Township policy should require that an employee include all time worked on their time card. The policy should require that the employee punch in and stay punched in unless they are on their lunch break or leaving for the day. If the employee returns after the end of their normal workday, then they should be required to punch in/out.
2. If the employee wishes to have their over-time accrued as compensatory time to be used at a later date then the employee must indicate their request on the time card that is approved by their supervisor.
3. All time cards should be submitted to the payroll clerk to allow for the proper calculation of compensatory time and proper records to be maintained in accordance with the Fair Labor Standards Act.
4. The Township should review their union contracts and personnel manual and make the necessary revisions to address the previous recommendations regarding compensatory time.

CARROLLTON TOWNSHIP, MICHIGAN

COMMENTS AND RECOMMENDATIONS

MARCH 31, 2004

B. Time Clocks

The Township currently has three different areas with time clocks where an employee can punch in and out. We recommend that the Township condense the three time clocks and begin using only one located in an area easily accessible for every employee.

During our procedures, we also observed that there are time cards with hand written start and end hours when there is no explanation for why the cards were not punched in the time clock. We recommend that the time clock policy be reviewed with employees to emphasize that each employee must punch their own time card in the time clock at the start and end of each work day and lunch break.

C. Bid Policy

The Township's current bid policy states that sealed bids must be obtained for any service or product over \$20,000. During our audit we noted that this policy was not being followed.

We recommend that the Township revise their bid policy to include but not be limited to the following items:

- Establish a threshold amount for which bids must be sealed.
- The required number of requests for proposals to be sent to vendors.
- The process for receiving and opening sealed bids.
- The procedure for awarding bids.
- The procedures for replacing original vendor when vendor is unable to meet contractual requirements.

D. Potential Unlawful Expenditure

The Township Public Works Department identified a water leak at a residence and directed the customer to have the leak repaired at their own cost. At no time did the Township enter into any agreement with the contractor or the customer to be the intermediary in this transaction. When the contractor contacted the Township and indicated that the resident was unwilling to pay for the repairs, the Township made the payment on behalf of the customer to the contractor and subsequently billed the customer. The customer continued to refuse to pay for the repairs and consequently the Township placed the unpaid balance on the property tax bill for December 2003. If the customer did not pay the 2003 property tax bill, the Township would have made a payment on behalf of a citizen, which presented no benefit to the Township. Because there would be no benefit to the Township, the expenditure would be considered unlawful.

CARROLLTON TOWNSHIP, MICHIGAN

COMMENTS AND RECOMMENDATIONS

MARCH 31, 2004

E. Inventory Method

The inventory method established by the Township is that inventory should be recorded using the FIFO method. This method states that the oldest inventory is to be used first. The price used to value the inventory should reflect the last purchase price of each piece. This method gives a more current value of inventory. During our audit we noted that the Township is not using this method and is valuing their inventory at a purchase price from prior years even though inventory has been removed and added. We also noted that much of the inventory of the sewer and water funds was determined to be obsolete and having no potential use for either of these operations. We recommend that the Township record the value of inventory using the FIFO method. We also recommend that the Township assess what inventory items are of no potential value to the sewer and water operations and dispose of it in a manner that will result in the best available benefit to the Township.

F. Payments on Contracts

We noted that the Township Board approved a contract with Anklam Construction for sewer and sidewalk repairs on Winter Street from Lynn to Shattuck. When the payments for these repairs were made, the checks were issued to Great Lakes Contracting Enterprises though the Township Board did not approve a change in the contractor. This change in the contractor was not authorized by the Township Board. We recommend that any change in vendors be approved by the Township Board before any service is rendered or goods are purchased. The procedure to change vendors should be included within the Township's purchasing and bid policies.